

## VQ EXAMINERS' REPORT SEPTEMBER 2020

The September 2020 examinations were conducted on-line for the first time. In addition, as a result of the March 2020 examinations being belatedly postponed due to COVID-19, the September 2020 examination papers were the originally intended March 2020 papers.

Although some learners experienced the occasional glitch with the on-line approach (e.g. a few connectivity issues), the feedback received was generally very positive. It was noted that a few learners struggled with time, notwithstanding the fact that an extra 30 minutes was allowed for each examination.

Despite the impact of COVID-19 and the new methodology for conducting the examinations, the number of entries for these examinations was high, albeit the figure was slightly lower than September 2019 (**785 v 827**), with **644** scripts actually being received. Out of the **141** scripts which were not received from the original entries, **105** were withdrawals and **36** were absentees. These figures confirm the positive commitment to these examinations across the pensions industry.

Of the scripts received, the highest figures were for **Leavers** (**122** for **Leavers Part 1** and **115** for **Leavers Part 2**). This was followed by **Retirements** and **Transfers** (**92** and **80** for **Retirements Part 1** and **Retirements Part 2**, respectively, and **85** for **Transfers**). The lowest number of scripts received was for **Deaths** (**74** for **Deaths Part 1** and **76** for **Deaths Part 2**).

For this series of examinations, the average pass rate across all units was lower than September 2019 (**59% v 68%**). Although the average pass rate was lower than normal, it was nonetheless similar (slightly higher) to March 2018. The relatively low pass rate can, in part, probably be attributed to the new approach to taking the examinations. It was also noticeable that, for this series of examinations, there was a higher volume than normal of learners who did not attempt entire *Case Studies* or *Letters*, which would have resulted in an automatic fail.

The Chief and Senior Examiners were pleased to observe that learners fared better than September 2019 in the Part 2 papers for **Retirements** and **Deaths** (**56% v 54%** for **Retirements Part 2** and **82% v 75%** for **Deaths Part 2**). Learners were not quite as successful in the Part 2 paper for **Leavers** (**62% v 72%**) and, on the whole, were less successful in each of the Part 1 papers (**41% v 66%** for **Retirements Part 1**, **70% v 88%** for **Deaths Part 1** and **66% v 74%** for **Leavers Part 1**). The pass rate for **Transfers** was also low compared to September 2019 (**35% v 58%**). Indeed, this was the lowest pass rate since November 2015.

For **Leavers Part 1**, the standard of scripts was generally good. The *Case Studies* which caused most problems were the two relating to the *OPQ Retirement & Death Benefits Plan*. When attempting the first *Case Study*, many learners did not use the correct method for determining the number of complete months from the date of the last switch to the member's target retirement date. In addition, a few learners did not state the fund units (or round to four decimal places) after applying the relevant investment allocation percentage to the lifestyle units.

For the second *Case Study* relating to the *OPQ Retirement & Death Benefits Plan*, most learners recognised that the member had less than 30 days of qualifying service and correctly worked out the refund amount. However, a number of learners also calculated a preserved benefit, when this was not applicable, and many more learners incorrectly indicated a transfer option.

Both of the *Case Studies* for the *XYZ Pension and Life Assurance Scheme* were generally well attempted, although for the first *Case Study (Category B)* a few learners did not cap the pensionable service to 3 July 2011. For the second *Case Study (Category A)*, some learners failed to state the GMP and excess revaluation factors; or did so but did not round to three decimal places and five decimal places, respectively.

For the *Case Study* relating to the *RST Pension Scheme*, it was surprising how many learners correctly identified that the Underpin pension exceeded the CARE pension, but then did not split out the pre-2006 and post-2006 elements (neither for the pension at date of leaving nor for the pension revalued to normal pension date).

The *Letter* for this unit was associated with the first of the two *Case Studies* for the *OPQ Retirement & Death Benefits Plan*. Although it was usually well answered, it was noticeable that quite a few learners did not state that the member's Personal Retirement Account would remain invested in the Lifestyle Fund.

Although **Leavers Part 2** was well attempted by most learners, a number of those taking this particular unit struggled with the revaluation of the GMP elements for the *Case Study* relating to the *XYZ Pension and Life Assurance Scheme (Category A)*. As the member was female, there was a requirement to revalue to 'GMP due date' (age 60) according to the prescribed method (detailed in the appendices to the scheme booklet) before applying the statutory increases from 'GMP due date' to normal pension date. A few learners also miscalculated the number of days for pre-1997 pensionable service and for the last tranche of post-1997 pensionable service (usually by one day).

With the *Case Study* relating to the *XYZ Pension and Life Assurance Scheme (Category B)*, some learners (as with **Leavers Part 1**) failed to cap the pensionable service to 3 July 2011. However, this *Case Study* generally presented few problems.

For both of the *Case Studies* on the *RST Pension Scheme*, quite a few learners did not deal with the special circumstances particularly well when calculating the Underpin pension (with the first of the *Case Studies* having an augmented accrual rate for a portion of the post-2006 pension and the second of the *Case Studies* having part-time service for the entire post-2006 pension).

For the first *Case Study* relating to the *RST Pension Scheme*, many learners incorrectly calculated the CARE pension as being greater than the Underpin pension when, in fact, the Underpin pension was marginally higher.

Most learners did well on the *Case Study* for the *OPQ Retirement & Death Benefits Plan*. Where mistakes were made, these tended to be either arithmetical errors or transcription errors.

The *Letter*, which was associated with the second *Case Study* for the *RST Pension Scheme*, was answered competently in most cases. However, there were instances of learners omitting to mention the fact the member had part-time service. Also, the tax rate (and amount of tax) was not always stated.

For this unit (as with **Leavers Part 1**), it was noticeable that quite a few learners did not state the actual factors used within the calculations for many of the *Case Studies*. It should be stressed that, even if the final answer is accurate, such an omission results in lost marks as there is no way of knowing whether the correct factors (with the correct rounding to the correct number of decimal places in accordance with the *Tables of Factors*) have been used. This comment was also stated in the previous Examiners' Report.

**Retirements Part 1** had the lowest percentage pass rate across the seven units, with many learners struggling with two particular *Case Studies*. The first *Case Study* to present difficulties was the one relating to the *XYZ Pension and Life Assurance Scheme (Category A)*. A high proportion of learners determined pensionable service and final pensionable salary at the date of late retirement rather than at the member's normal pension date. For this *Case Study*, a large number of learners also performed the GMP check incorrectly. In addition, it was surprising how many learners stated that a young spouse reduction would apply if the member remained married to the same spouse until the date of death. Even though the spouse was more than 10 years younger than the member, a young spouse reduction only applies for the *RST Pension Scheme*.

The other *Case Study* which contributed to the low pass rate for **Retirements Part 1** was the one for the *OPQ Retirement & Death Benefits Plan*. As with **Leavers Part 1**, many learners did not use the correct method for determining the number of complete months from the date of the last switch to the member's target retirement date, and many learners did not state the fund units (or round to four decimal places) after applying the relevant investment allocation percentage to the lifestyle units.

For this *Case Study*, there was a number of learners who quoted an annuity only option, when this was specifically not requested. In addition, many learners did not consider the full range of Lifetime Allowance calculations. Further, the open market option was frequently omitted and, when looking at the UFPLS option, a high proportion of learners did not correctly articulate the tax treatment (despite this being mentioned in previous Examiners' Reports).

With the first *Case Study* for the *RST Pension Scheme*, a few learners did not recognise that the spouse was more than 10 years younger than the member. In addition, whilst most learners correctly applied the early retirement factor to the CARE pension, not all learners then applied the early retirement factor to the Underpin pension. A few learners also omitted to state the spouse's pension (particularly the post-commutation spouse's pension).

The second *Case Study* for the *RST Pension Scheme* was generally answered well, although some learners miscalculated the year-to-date pensionable service for the CARE pension (usually by one month less).

With the *Case Study* for the *XYZ Pension and Life Assurance Scheme (Category B)*, a few learners did not cap pensionable service to 3 July 2011 (usually because they projected pensionable service to normal pension date) and many learners applied an early retirement factor when such a factor is not applicable for ill health.

The *Letter* for **Retirements Part 1** was associated with the first of the two *Case Studies* for the *RST Pension Scheme*, and it presented few problems. Where learners did lose marks, it was usually for not stating the actual values for the pre-2006 and post-2006 pension elements (both for the full pension option and for the residual pension and PCLS option).

**Retirements Part 2** was generally well attempted by the majority of learners. For the first of the two *Case Studies* on the *RST Pension Scheme*, some learners failed to project pensionable service to normal pension date (ill health) and a few learners did not always handle the augmented accrual rates correctly in calculating the CARE pension and Underpin pension. Similarly, there were many learners who did not deal correctly with the part-time service for the second *Case Study* for the *RST Pension Scheme*. This was again relevant to both the calculation of the year-to-date CARE pension and the Underpin pension. For this latter *Case Study*, some learners correctly restricted the PCLS to £75,000, but they did not always first check that this was within the maximum available PCLS permitted from the *RST Pension Scheme*.

For the one *Case Study* relating to the *OPQ Retirement & Death Benefits Plan*, a few learners mixed up the annuity options (i.e. there should have been an option for no cash but a joint life annuity option [increasing at the lower of 2.5% / RPI] and an option for cash and a single life annuity option [non-increasing]). For this *Case Study*, some learners did not calculate the member's age correctly (the member was one day shy of being 66 years 3 months). In addition, and as with **Retirements Part 1**, many learners did not consider the full range of Lifetime Allowance calculations and, when looking at the UFPLS option, did not refer to the tax treatment – or did so but not in sufficient detail.

For the *Case Study* relating to the *XYZ Pension and Life Assurance Scheme (Category B)*, learners did not always tackle the AVC pension elements correctly (both single life and joint life). As mentioned in previous Examiners' Reports, this style of *Case Study* continues to trip up learners despite the frequency of it being tested.

With the *Case Study* for the *XYZ Pension and Life Assurance Scheme (Category A)*, learners sometimes struggled with working out the correct pensionable service splits, particularly for the first and last tranches (i.e. the pre-1997 tranche and the post-2011 tranche). In addition, a check was not always carried out to verify that the residual pension exceeded the GMP.

The *Letter* for **Retirements Part 2** was associated with the *Case Study* for the *XYZ Pension and Life Assurance Scheme (Category A)*. It was generally well answered, although quite a few learners did not refer to the differences in the pension increase rates to be applied before and after normal pension date (particularly with regard to the GMP).

Both **Death** papers were very well answered by most learners and this was reflected in the high overall pass rates. Indeed, these papers achieved the two highest average percentage pass rates across all seven papers. For **Deaths Part 1**, learners sometimes struggled with the *Case Study* for the *XYZ Pension and Life Assurance Scheme (Category A)*. This *Case Study* was a death-in-preservation scenario after normal pension date and required learners to revalue the GMP to 'GMP due date' and then apply statutory increases from 'GMP due date' to the date of death.

The *Case Study* for the *XYZ Pension and Life Assurance Scheme (Category B)* also presented problems for some learners. This particular *Case Study* was death-in-service after normal pension date and required learners to perform the salary comparison check at normal pension date (rather than at the date of death) and apply a late retirement factor to the accrued pension at normal pension date. With this *Case Study*, a number of learners did not cap the pension instalments for the lump sum death benefit to age 75.

Neither of the two *Case Studies* relating to the *RST Pension Scheme* caused too many difficulties, although with the first *Case Study* some learners did not apply a young spouse reduction factor and, occasionally, the number of outstanding pension payments for the lump sum death benefit was incorrect (usually by one month either side of the correct number).

For the *Case Study* relating to the *OPQ Retirement & Death Benefits Plan*, some learners did not use the correct method for determining the number of complete months from the date of the last switch to the member's target retirement date (often using the date of the member's death as the start date for calculating the number of complete months to target retirement date, rather than using the start date as the first day of the month in which death occurred). In addition, a few learners did not state the fund units (or round to four decimal places) after applying the relevant investment allocation percentage to the lifestyle units. This latter point has already been made in observations on the papers for **Leavers** and **Retirements**.

Although **Deaths Part 2** was well answered by most learners, there was a couple of *Case Studies* which caused more difficulties than others. The *Case Study* that resulted in most errors was the one associated with the *XYZ Pension and Life Assurance Scheme (Category A)* where a number of learners failed to recognise that there should have been no pre-88 WGMP (as the deceased member was a female). In addition, some learners used the best pensionable salary in the last five years in the calculation of the member's (and spouse's) pension rather than using the latest pensionable salary.

For the first of the two *Case Studies* relating to the *RST Pension Scheme*, some learners did not deal with the augmented accrual rate correctly for the 2004-2006 element (sometimes applying it only to the post-2006 element). In addition, some learners applied a young spouse reduction when it was the member who was ten years younger, and not the spouse.

For the second of the two *Case Studies* relating to the *RST Pension Scheme*, a few learners struggled with the part-time adjustments in the calculation of both the CARE pension and the Underpin pension. Occasionally, these adjustments were ignored altogether.

As with **Deaths Part 1**, there were many learners who did not cap the pension payments for the lump sum death benefit to age 75 when attempting the *Case Study* for the *XYZ Pension and Life Assurance Scheme (Category B)*.

For the *Case Study* on the *OPQ Retirement & Death Benefits Plan*, some learners made the same errors / omissions on lifestyling that have been referred to on numerous occasions already in this Examiners' Report. In addition, a handful of learners stated that the total lump sum death benefit would be payable to one or more persons at the Trustees' discretion when the benefit should have been stated as being payable to the deceased member's estate / legal personal representatives.

The *Letters* for both **Death** papers were generally well answered by most learners, with all of the required information usually being provided.

More learners struggled with completing the **Transfers** paper than any other paper, despite the additional 30 minutes. There was a number of instances where learners either did not complete or did not attempt all of the *Case Studies* or *Letters*.

With **Transfers**, many learners (as in previous examination series) dropped marks when attempting the transfer out *Case Studies* for the *RST Pension Scheme* and the *XYZ Pension and Life Assurance Scheme (Category A)* by failing to state that independent financial advice needed to be provided by an authorised adviser regulated under the Financial Services and Markets Act 2000 (as the transfer values exceeded £30,000). Although this omission is always mentioned in the Examiners' Report, it continues to be overlooked by learners.

For the transfer out *Case Study* for the *OPQ Retirement & Death Benefits Plan*, a few learners only stated the end answers without showing their workings in accordance with the requirements set out in the scheme booklet. Where workings were shown, unit holdings after applying the relevant lifestyle investment allocation percentages (split by contribution type within fund) were not always rounded to four decimal places prior to multiplying by the appropriate unit prices.

The same was true for the transfer in *Case Study* for the *OPQ Retirement & Death Benefits Plan* where a few learners only stated the end answers or, where they did show their workings, the monetary values after applying the relevant lifestyle investment allocation percentages (split by contribution type within fund) were not always rounded to four decimal places prior to dividing by the appropriate unit prices.

The *Letters* were generally well answered for **Transfers**, although a few learners failed to provide the full range of benefits potentially payable on death for the second *Letter* relating to the transfer in of benefits to the *XYZ Pension and Life Assurance Scheme (Category A)*.

By highlighting the key areas where learners fell short of the required standard, it is hoped that similar failings will be avoided in the next series of examinations. The final paragraphs below remain unaltered from the previous Examiners' Report since the comments are still apt and yet still get ignored in many instances.

The Chief and Senior Examiners would advise learners:

- To clearly show their workings since arithmetical errors are penalised less harshly than errors where the cause cannot be easily identified.
- To summarise calculation results at the end of a question only when the various options available are not clear from the preceding calculations.
- To refrain from using a glossary either at the start of the paper or, especially, at the start of each question.
- To not leave the *Letters* until last as more errors are incurred for an incomplete *Letter* than an incomplete *Case Study*.

The Chief and Senior Examiners would remind centres and learners that **papers will not be marked** in any of the following circumstances:

- Where a learner's personal 'learner number' is missing or incorrect.
- Where a learner's name appears anywhere on the answer script (e.g. letters signed with a name other than AN Other).
- Where a centre has been proven to have followed incorrect formal procedures relating to the examinations.

The Chief and Senior Examiners also reserve the right not to mark a script where a learner fails to follow the instructions printed on the front of the examination paper and whose action causes difficulties with the marking process.

The Chief and Senior Examiners continue to believe that preparation and training are the keys to success. Many learners are fortunate to receive training organised by their centres. However, we would emphasise the necessity for training material to be kept up to date and accurate.

*On a final point, centres should be aware that there will be NO specific scheme changes for the next series of examinations in March 2021. All of the Booklets have been amended in readiness for the March 2021 examinations by ensuring the examples and appendices are fully up to date from a practical and legislative perspective.*

## THE STATISTICS

There were **785** entries in total. Due to the impact of COVID-19, there was a higher than usual number of absences and withdrawals for this series of examinations, leading to **644** scripts actually being submitted. The table below shows the number of entries for each unit, the number of scripts submitted and the pass rate.

Unit	Entries	Withdrawn	Absent	Scripts received	Pass	Fail	Success rate
Retirements Part 1	118	15	11	92	38	54	41%
Retirements Part 2	106	16	10	80	45	35	56%
Deaths Part 1	85	11	0	74	52	22	70%
Deaths Part 2	89	12	1	76	62	14	82%
Leavers Part 1	148	20	6	122	80	42	66%
Leavers Part 2	137	17	5	115	71	44	62%
Transfers	102	14	3	85	30	55	35%
<b>TOTAL</b>	<b>785</b>	<b>105</b>	<b>36</b>	<b>644</b>	<b>378</b>	<b>266</b>	<b>59%</b>

## COMMON ERRORS WHERE LEARNERS FAILED TO MEET THE STANDARDS

### LEAVERS: PART 1

#### Qu.1 – (RST)

- Underpin pension not always calculated as being higher than CARE pension
- Underpin pension occasionally not split out for pre-2006 and post-2006 elements (neither at date of leaving nor normal pension date)
- Factor for revaluation from date of leaving to normal pension date not always based on correct number of complete years

#### Qu.2 – (OPQ)

- Date of last switch (i.e. first day of the month) not always correct for determining lifestyle investment allocation percentages
- Number of complete months from date of last switch to target retirement date sometimes calculated incorrectly even when correct start and end dates stated
- Unit holdings after applying relevant lifestyle investment allocation percentages (split by contribution type within fund) not always rounded to 4 decimal places – or even shown – prior to multiplying by relevant unit prices

#### Qu.3 – (XYZ: Category B)

- Pensionable service sometimes not capped to 3 July 2011
- Factor for excess revaluation from date of leaving to normal pension date occasionally not stated

#### Qu.4 – (OPQ)

- Transfer option frequently stated (when not applicable for less than 30 days' qualifying service)
- Employer element of Personal Retirement Account often calculated for refund option (even when not used)
- Preserved option sometimes calculated
- Arithmetical errors occasionally made when applying unit prices to unit holdings

#### Qu.5 – (XYZ: Category A)

- Final pensionable salary not always based on best pensionable salary in previous 5 years
- Factor for post-1988 GMP revaluation from date of leaving to 'GMP due date' (i.e. normal pension date since male member) occasionally not stated (or stated but not always rounded to 3 decimal places in accordance with the Tables of Factors)
- Post-1988 GMP element not always rounded to be divisible by 52
- Factor for excess revaluation from date of leaving to normal pension date occasionally not stated (or stated but not rounded to 5 decimal places in accordance with the Tables of Factors)
- Number of complete years for excess revaluation from date of leaving to normal pension date occasionally incorrect

#### Qu.6 – (Letter for Qu.2)

- Reference to funds remaining invested in Lifestyle Fund often omitted
- Split of unit holdings and fund values not always provided
- Statement that benefits cannot be taken prior to age 55 (or earlier if in ill health) sometimes omitted
- Requirement to provide annual statements not always stated



## **LEAVERS: PART 2**

### Qu.1 – (OPQ)

- Arithmetical errors occasionally made when applying unit prices to unit holdings

### Qu.2 – (RST)

- Underpin pension sometimes calculated as being higher than CARE pension when it was marginally lower
- Augmented accrual rate for last 6 months' pensionable service frequently dealt with incorrectly for both CARE pension and Underpin pension
- Factor for revaluation from date of leaving to normal pension date not always stated

### Qu.3 – (RST)

- Full set of options (including both refund and preserved options) not always calculated
- Part-time service not always dealt with correctly for either CARE pension or Underpin pension
- Underpin pension not always calculated as being higher than CARE pension
- Factor for revaluation from date of leaving to normal pension date not always based on correct number of complete years
- Statement that pension all post-2006 not always mentioned

### Qu.4 – (XYZ: Category B)

- Pensionable service sometimes not capped to 3 July 2011
- Final pensionable salary from 2011 indexed to date of leaving occasionally used when actual final pensionable salary at date of leaving was a few pounds higher

### Qu.5 – (XYZ: Category A)

- Days for pensionable service not always correct (i.e. occasionally one day too much or too little for first and last tranches)
- GMP elements frequently revalued in complete tax years from date of leaving to normal pension date rather than being revalued in complete tax years from date of leaving to 'GMP due date' and then by statutory revaluation from 'GMP due date' to normal pension date (i.e. member treated as male rather than female)
- GMP elements frequently revalued from date of leaving to 'GMP due date' by one complete tax year when no revaluation should have applied for this element of the calculation (i.e. there were no complete tax years)
- GMP elements not always revalued from 'GMP due date' to normal pension date in accordance with statutory method detailed in appendices of XYZ Scheme booklet
- GMP elements not always rounded to be divisible by 52

### Qu.6 – (Letter for Qu.3)

- Part-time service occasionally not stated
- Actual value for refund of contributions on death of member often omitted
- Details of tax rate for refund calculation not always provided
- Mention of assumed revaluation rate in calculation of 2.5% from date of leaving to normal pension date sometimes omitted (although true revaluation rate of lower of 5.0% / CPI usually stated)

## **DEATHS: PART 1**

### Qu.1 – (RST)

- Number of instalments sometimes calculated incorrectly for balance of payments for lump sum death benefit (normally by one month)
- Young spouse reduction occasionally not applied (but generally correct when applied)

### Qu.2 – (XYZ: Category B)

- Pensionable service occasionally not capped to 3 July 2011
- Highest pensionable salary in last 5 years not always capped to normal pension date
- Final pensionable salary at 3 July 2011 (revalued to normal pension date) not always clearly compared against best pensionable salary in last 5 years (capped to normal pension date)
- Late retirement factor not always applied (or factor applied but not always rounded to nearest integer)
- Balance of payments for lump sum death benefit frequently based on 60 months rather than being capped to age 75

### Qu.3 – (RST)

- Potential service not always included in calculation of either CARE pension or Underpin pension (or included, but not for both calculations)
- Potential service occasionally calculated from date of death to normal pension date rather than from 6 April 2019 to normal pension date

### Qu.4 – (XYZ: Category A)

- GMP not always revalued from date of leaving to date of death in accordance with statutory method detailed in appendices of XYZ Scheme booklet (i.e. revalued pre-1988 GMP at date of death should be derived by deducting revalued post-1988 GMP at date of death from revalued total GMP at date of death)
- Splits for excess and post-1988 WGMP elements of spouse's pension occasionally not calculated (or calculated but with spouse's post-1988 WGMP not always divisible by 52)
- Spouse's pre-1988 WGMP often calculated when not applicable (since deceased member was female)
- Recipient of lump sum death benefit sometimes stated as being at discretion of trustees when reference should have been made to lump sum death benefit being paid to deceased member's legal personal representatives / estate

### Qu.5 – (OPQ)

- Start date for calculating complete months from last switch date to target retirement date sometimes based on date of death rather than first day of month of death
- Unit holdings after applying relevant lifestyle investment allocation percentages (split by contribution type within fund) not always rounded to 4 decimal places – or even shown – prior to multiplying by relevant unit prices

### Qu.6 – (Letter for Qu.3)

- Young spouse reduction sometimes stated when not applicable

## **DEATHS: PART 2**

### Qu.1 – (OPQ)

- Start date for calculating complete months from last switch date to target retirement date sometimes based on date of death rather than first day of month of death
- Unit holdings after applying relevant lifestyle investment allocation percentages (split by contribution type within fund) not always rounded to 4 decimal places – or even shown – prior to multiplying by relevant unit prices
- AVCs sometimes dealt with incorrectly (due to being invested in Global Equity Fund and Corporate Bond Fund when employer / member contributions invested in Lifestyle Fund)
- Recipient of lump sum death benefit sometimes stated as being at discretion of trustees when reference should have been made to lump sum death benefit being paid to deceased member's legal personal representatives / estate

### Qu.2 – (RST)

- Augmented accrual rate occasionally dealt with incorrectly for pre-2006 Underpin pension (e.g. sometimes applied to entire pre-2006 element rather than 2004-2006 element only)
- Young spouse reduction factor occasionally calculated when spouse actually 10 years older than member

### Qu.3 – (XYZ: Category A)

- Pensionable service sometimes based on date of death rather than normal pension date
- Days for pensionable service not always correct (i.e. occasionally one day too much or too little for first and last tranches)
- Contracted-out check occasionally omitted
- Splits for excess and post-1988 WGMP elements of spouse's pension occasionally not calculated (or calculated but with spouse's post-1988 WGMP not always divisible by 52)

### Qu.4 – (XYZ: Category B)

- Number of instalments sometimes calculated incorrectly for balance of payments for lump sum death benefit (i.e. last payment not always capped to deceased member's 75<sup>th</sup> birthday)
- Enhanced spouse's percentage not always applied to both member's non-commuted and commuted pension

### Qu.5 – (RST)

- Life assurance sometimes based on 'full-time equivalent' contractual salary rather than 'actual' contractual salary
- Part-time adjustment occasionally ignored for prospective pensionable service in calculation of CARE pension
- Various part-time adjustments sometimes applied to 'actual' contractual salary rather than 'full-time equivalent' contractual salary in calculation of Underpin pension
- Part-time calculation often incorrect for Underpin pension (sometimes being ignored altogether)
- Young spouse reduction factor occasionally omitted (but generally correct when applied)

### Qu.6 – (Letter for Qu.3)

- Varied accrual rates not always mentioned

## **RETIREMENTS: PART 1**

### Qu.1 – (RST)

- Early retirement factor usually determined but not always applied
- Early retirement factor sometimes applied to CARE pension but ignored when determining Underpin pension
- Spouse's post-commutation pension occasionally not stated
- Potential young spouse reduction (based on current marital status) sometimes not mentioned

### Qu.2 – (OPQ)

- Start date for calculating complete months from last switch date to target retirement date sometimes based on date of retirement rather than first day of month of retirement
- Unit holdings after applying relevant lifestyle investment allocation percentages (split by contribution type within fund) not always rounded to 4 decimal places – or even shown – prior to multiplying by relevant unit prices
- Annuity only option occasionally provided when specifically not requested
- Spouse's annuity values sometimes not quoted when calculating member's joint life annuity options
- Full range of LTA calculations not always provided
- Annuity bureau charge not always included in LTA calculation
- Taxable element of UFPLS often not stated as being taxed at member's marginal rate (or paid assuming an emergency code on a month 1 basis)
- Mention of open market option sometimes omitted

### Qu.3 – (XYZ: Category A)

- Pensionable service occasionally calculated to actual date of late retirement rather than being capped to normal pension date
- Final pensionable salary occasionally based on actual date of late retirement rather than being capped to normal pension date
- Late retirement factor (when applied) not always rounded to nearest integer
- Contracted-out check not always based on pension after applying late retirement factor
- Check to determine if residual pension covers GMP occasionally omitted
- Reference frequently made to potential YSR when not applicable to XYZ Pension and Life Assurance Scheme

### Qu.4 – (RST)

- Pensionable service sometimes wrong by one month for year-to-date CARE pension
- Splits not always provided for pre / post-2006 elements of residual pension
- Spouse's post-commutation pension occasionally not stated

### Qu.5 – (XYZ: Category B)

- Pensionable service not always capped to 3 July 2011
- Early retirement factor sometimes applied when not applicable for ill health

### Qu.6 – (Letter for Qu.1)

- Actual pre/post-2006 pension splits often not stated (neither for full pension nor for residual pension)
- YSR not always stated (based on member's current marital status)

## **RETIREMENTS: PART 2**

### Qu.1 – (OPQ)

- Full range of annuity only options and cash / reduced annuity options not always provided
- Spouse's annuity sometimes quoted for single life option
- Annuity bureau charge not always included in LTA calculation
- Taxable element of UFPLS often not stated as being taxed at member's marginal rate (or paid assuming an emergency code on a month 1 basis)
- Mention of open market option occasionally omitted

### Qu.2 – (RST)

- Pensionable service sometimes based on date of actual retirement rather than being projected to normal pension date (since ill health)
- Augmented accrual rates (although at different rates) not always applied to both CARE pension and Underpin pension
- Splits not always provided for pre / post-2006 elements of residual pension
- Spouse's post-commutation pension occasionally not stated

### Qu.3 – (XYZ: Category B)

- Joint life AVC pension and / or single life AVC pension sometimes dealt with incorrectly
- LTA percentage used not always combined for scheme pension and AVC pension
- Spouse's pension not always calculated correctly for joint life and single life AVC options
- Methodology for incorporating AVCs within pension commencement lump sum calculation sometimes inaccurate
- Pension commencement lump sum not always capped to £65,000

### Qu.4 – (XYZ: Category A)

- Pensionable service splits for different accrual rates occasionally miscalculated
- Application of early retirement factor occasionally omitted (even when calculated)
- Contracted-out check not always based on pension after applying early retirement factor
- Check to determine if residual pension exceeds GMP occasionally omitted

### Qu.5 – (RST)

- Part-time adjustment not always correct for year-to-date CARE pension
- Various part-time adjustments often incorrect for Underpin pension (sometimes being ignored altogether)
- Splits not always provided for pre / post-2006 elements of residual pension
- Spouse's post-commutation pension occasionally not stated

### Qu.6 – (Letter for Qu.4)

- Increase rates often not split out to detail position before / after normal pension date (e.g. increase basis before normal pension date often assumed to be same as increase basis after normal pension date)
- Post retirement increases for post-1988 GMP from normal pension date sometimes stated as being at lower of 3.0% / RPI (rather than lower of 3.0% / CPI)
- Increases above 3.0% for post-1988 GMP occasionally stated erroneously as being paid by the State as part of member's State Pension

## **TRANSFERS**

### Qu.1 – (RST)

- OK

### Qu.2 – (OPQ)

- Number of months to TRD occasionally incorrect when determining fund allocation percentages within Lifestyle Fund.
- Unit holdings after applying relevant lifestyle investment allocation percentages (split by contribution type within fund) not always rounded to 4 decimal places prior to multiplying by relevant unit prices
- Units holdings after applying relevant lifestyle investment allocation percentages (and split by contribution type within fund) sometimes not shown at all – just end results shown after applying relevant lifestyle investment allocation percentages and multiplying by relevant unit prices

### Qu.3 – (XYZ)

- Statement not always provided for requirement to take independent financial advice from an authorised adviser regulated under Financial Services and Markets Act 2000 if transferring to an arrangement where benefits can be accessed flexibly (as transfer value exceeds £30,000) or – more commonly – statement provided but without specific reference to requirement for adviser to be regulated under Financial Services and Markets Act 2000
- Age next birthday occasionally wrong by one year

### Qu.4 – (RST)

- Full list of attaching benefits not always accurate (e.g. no spouse's pension should be payable on death-in-deferment)

### Qu.5 – (OPQ)

- Number of months to TRD occasionally incorrect when determining fund allocation percentages within Lifestyle Fund.
- Value of contributions after applying relevant investment allocation percentages (split by contribution type within fund) not always rounded to 4 decimal places prior to dividing by relevant unit prices
- Value of contributions after applying relevant investment allocation percentages (split by contribution type within fund) sometimes not shown at all – just end results shown after multiplying by relevant investment allocation percentages and dividing by relevant unit prices
- Confusion sometimes encountered with mixture of lifestyle and non-lifestyle funds

### Qu.6 – (XYZ)

- Full list of attaching benefits not always provided
- Arithmetical errors sometimes made (more prevalent on this case study than others)

### Qu.7 – (Letter for Qu.1)

- Mention of benefits no longer remaining in ceding scheme (should transfer out proceed) not always stated
- Mention that financial advice cannot be provided sometimes omitted

### Qu.8 – (Letter for Qu.6)

- Full list of attaching benefits on death not always provided
- Mention of 3-month guarantee period (should transfer in proceed) not always stated

## SUMMARY OF WORKED ANSWERS

### Leavers Part 1 – Question 1

#### Calculation

- (1) Preserved 'Underpin' pension at date of leaving of **£13,606.25 p.a.** {v CARE pension of **£13,578.04 p.a.**} (pre-2006 = **£6,300.00 p.a.** and post-2006 = **£7,306.25 p.a.**) which, when revalued to NPD, would result in a pension of **£20,703.55 p.a.** (pre-2006 = **£9,586.21 p.a.** and post-2006 = **£11,117.34 p.a.** – assuming increases of 2.5% per annum compound)

Spouse's pension on death after retirement of **£5,442.50 p.a.** (pre-2006 = **£2,520.00 p.a.** and post-2006 = **£2,922.50 p.a.** – based on member's pension at DOL) which, when revalued to NPD would result in a pension of **£8,281.42 p.a.** (pre-2006 = **£3,834.48 p.a.** and post-2006 = **£4,446.94 p.a.** – based on member's pension at DOL revalued to NPD assuming increases of 2.5% per annum compound)

**OR**

- (2) Transfer value to another pension arrangement

### Leavers Part 1 – Question 2

#### Calculation

- (1) Preserved benefit of **£50,326.32**

**OR**

- (2) Transfer value to another pension arrangement

### Letter: Question 6 – (Relating to Question 2)

- (1) Date of leaving:  
- **21/03/2020**
- (2) Personal Retirement Account at leaving:  
- Total value = **£50,326.32**  
- State unit price of each fund (*optional*)  
- State units in each fund (*including individual split of units by contribution type*)  
- State total value of each fund (*including individual split of values by contribution type*)
- (3) Member's TRD:  
- **31/01/2022** (*or reference can be made to NPD instead; being age 65, or State Pension Date if later*)

- (4) Must mention member's options on leaving:
- Funds remain invested in 'Lifestyle Fund' (and cannot be accessed until age 55, or earlier if in ill health) – *no need to specifically mention funds remain invested in 'Lifestyle Fund' if units already set out as Lifestyle units (sufficient to say funds remain invested)*
  - Transfer option
- (5) Must mention annual statements will be issued if funds remain invested
- (6) Must mention member's available options when taking benefits from the Plan:
- Full annuity using 'Annuity Bureau' factors (single life v joint life and increasing v non-increasing) without tax-free cash sum
  - Reduced annuity using 'Annuity Bureau' factors (single life v joint life and increasing v non-increasing) with tax-free cash sum
  - Single Uncrystallised Funds Pension Lump Sum
- (7) Must mention member's benefits on death before retirement
- Value of Personal Retirement Account paid to Legal Personal Representatives

### **Leavers Part 1 – Question 3**

#### **Calculation**

- (1) Preserved pension at date of leaving of **£22,396.93 p.a.** which, when revalued to NPD, could result in a maximum pension of **£68,792.62 p.a.**

Spouse's pension on death before / after retirement of **£11,198.47 p.a.** (*based on member's pension at DOL*) which, when revalued to NPD, could result in a maximum pension of **£34,396.31 p.a.** (*based on member's pension at DOL revalued to NPD*)

**OR**

- (2) Transfer value to another pension arrangement

### **Leavers Part 1 – Question 4**

#### **Calculation**

- (1) Refund ONLY of **£150.08**



### **Leavers Part 1 – Question 5**

#### **Calculation**

- (1) Preserved pension at date of leaving of **£15,619.07 p.a.** (excess over GMP = **£14,976.87 p.a.** and post-1988 GMP = **£642.20 p.a.**) which, when revalued to NPD, could result in a maximum pension of **£30,692.63 p.a.** (excess over GMP = **£29,653.15 p.a.** and post-1988 GMP = **£1,039.48 p.a.**)

Spouse's pension on death before / after retirement of **£7,809.54 p.a.** (*based on member's pension at DOL*) which, when revalued to NPD, could result in a maximum pension of **£15,346.32 p.a.** (*based on member's pension at DOL revalued to NPD*)

**OR**

- (2) Transfer value to another pension arrangement

### **Leavers Part 2 – Question 1**

#### **Calculation**

- (1) Preserved benefit of **£91,508.52** (including AVCs of **£13,073.82**)

**OR**

- (2) Transfer value to another pension arrangement

### **Leavers Part 2 – Question 2**

#### **Calculation**

- (1) Preserved 'Underpin' pension at date of leaving of **£25,347.03 p.a.** {v 'CARE' pension of **£25,331.52 p.a.**} (pre-2006 = **£11,640.00 p.a.** and post-2006 = **£13,707.03 p.a.**) which, when revalued to NPD, would result in a pension of **£31,654.89 p.a.** (pre-2006 = **£14,536.73 p.a.** and post-2006 = **£17,118.16 p.a.** – *assuming increases of 2.5% per annum compound*)

Spouse's pension on death after retirement of **£10,138.81 p.a.** (pre-2006 = **£4,656.00 p.a.** and post-2006 = **£5,482.81 p.a.** – *based on member's pension at DOL*) which, when revalued to NPD would result in a pension of **£12,661.95 p.a.** (pre-2006 = **£5,814.69 p.a.** and post-2006 = **£6,847.26 p.a.** – *based on member's pension at DOL revalued to NPD assuming increases of 2.5% per annum compound*)

**OR**

- (2) Transfer value to another pension arrangement

### Leavers Part 2 – Question 3

#### Calculation

- (1) Net refund of **£4,170.81**

**OR**

- (2) Preserved 'Underpin' pension at date of leaving of **£984.38 p.a.** {v 'CARE' pension of **£895.09 p.a.**} (all post-2006) which, when revalued to NPD, would result in a pension of **£1,870.61 p.a.** (all post-2006 – assuming increases of 2.5% per annum compound)

Spouse's pension on death after retirement of **£393.75 p.a.** (all post-2006 – based on member's pension at DOL) which, when revalued to NPD, would result in a pension of **£748.24 p.a.** (all post-2006 – based on member's pension at DOL revalued to NPD assuming increases of 2.5% per annum compound)

**OR**

- (3) Transfer value to another pension arrangement

#### Letter: Question 6 – (Relating to Question 3)

- (1) Date of leaving (**22/03/2020**)
- (2) Preserved pension at date of leaving (**£984.38 p.a.**), which is all post-2006
- (3) Revaluation rate to NPD (**lower of 5.0% / CPI**)
- (4) Member's NPD (**28/01/2047**) or specific age at NPD (**65**)
- (5) Pension at NPD (**£1,870.61 p.a.**) {assuming increases of 2.5% per annum compound}, which is all post-2006
- (6) Must mention part-time service
- (7) Must mention tax-free cash sum option on retirement
- (8) Death before retirement
  - Refund of contributions of (**£5,213.51**)
- (9) Death after retirement
  - Spouse's pension (**£393.75 p.a.**) {based on member's pension at DOL} which, when revalued to NPD, would result in a pension of **£748.24 p.a.** {based on member's pension at DOL revalued to NPD assuming increases of 2.5% per annum compound}
  - LSDB (**provided death occurs before 5 years of pension payments**)
- (10) Post retirement increases
  - Post-2006 (**lower of 2.5% / RPI**)
- (11) Must mention refund option, stating the following details:
  - Total refund (**£4,170.81**)
  - Contributions paid (**£5,213.51**)
  - Tax deducted (**£1,042.70**)
  - Tax rate (**20%**)
- (12) Must mention transfer option

### **Leavers Part 2 – Question 4**

#### **Calculation**

- (1) Preserved pension at date of leaving of **£27,437.90 p.a.** (including a transferred-in pension of **£6,578.07 p.a.**) which, when revalued to NPD, could result in a maximum pension of **£84,276.06 p.a.**

Spouse's pension on death before / after retirement of **£13,718.95 p.a.** (*based on member's pension at DOL*) which, when revalued to NPD, could result in a maximum pension of **£42,138.03 p.a.** (*based on member's pension at DOL revalued to NPD*)

**OR**

- (2) Transfer value to another pension arrangement

### **Leavers Part 2 – Question 5**

#### **Calculation**

- (1) Preserved pension at date of leaving of **£15,561.58 p.a.** (excess over GMP = **£12,641.78 p.a.**, pre-1988 GMP = **£1,065.48 p.a.** and post-1988 GMP = **£1,854.32 p.a.**) which, when revalued to NPD, could result in a maximum pension of **£20,543.53 p.a.** (excess over GMP = **£16,134.45 p.a.**, pre-1988 GMP = **£1,461.20 p.a.** and post-1988 GMP = **£2,947.88 p.a.**)

Spouse's pension on death before / after retirement of **£7,780.79 p.a.** (*based on member's pension at DOL*) which, when revalued to NPD, could result in a maximum pension of **£10,271.77 p.a.** (*based on member's pension at DOL revalued to NPD*)

**OR**

- (2) Transfer value to another pension arrangement

### **Deaths Part 1 – Question 1**

#### **Calculation**

- (1) Lump sum death benefit (equal to balance of 5 years' member pension instalments only since death in retirement) of **£24,828.48** payable at Trustees' Discretion – [LTA used = **2.35%**]

**PLUS**

- (2) Spouse's pension of **£4,757.81 p.a.** (pre-2006 = **£641.86 p.a.** and post-2006 = **£4,115.95 p.a.** {including young spouse reduction})

## **Deaths Part 1 – Question 2**

### **Calculation**

- (1) Lump sum death benefit (equal to 5 years' member pension instalments – capped to age 75 – since death in service after NPD {XYZ & Category B}) of **£100,479.18** payable at Trustees' Discretion – [LTA used = **9.52%**]

**PLUS**

- (2) Spouse's pension of **£10,961.37 p.a.**

## **Deaths Part 1 – Question 3**

### **Calculation**

- (1) Lump sum death benefit (refund of contributions of **£5,471.10** plus life assurance of **£90,250.00** since death in service before NPD) of **£95,721.10** payable at Trustees' Discretion – [LTA used = **9.07%**]

**PLUS**

- (2) Spouse's pension of **£7,218.22 p.a.** (pre-2006 = **£251.72 p.a.** and post-2006 = **£6,966.50 p.a.**)

## **Letter: Question 6 – (Relating to Question 3)**

- (1) Date of death:  
- **04/03/2020**
- (2) Total lump sum death benefit (**£95,721.10**), stating the following details:  
- Life assurance (**£90,250.00**)  
- Refund of contributions (**£5,471.10**)  
- Payable at **Trustees' Discretion**
- (3) Spouse's pension (**£7,218.22 p.a.**), stating the following details:  
- Pre-2006 split (**£251.72 p.a.**)  
- Post-2006 split (**£6,966.50 p.a.**)  
- Commencement date (**01/04/2020**)  
- Increase rates (pre-2006 = **lower of 5.0% / RPI** and post-2006 = **lower of 2.5% / RPI**)  
- Frequency of payment (**monthly**)  
- Increase date (**each year on anniversary of DOD**)
- (4) Additional information:  
- N/A
- (5) Lifetime allowance:  
- Percentage used by lump sum death benefit (**9.07%**)  
- Counts against deceased member
- (6) Action required:  
- Member's death certificate  
- Spouse's birth & marriage certificates  
- Bank details

### **Deaths Part 1 - Question 4**

#### **Calculation**

- (1) Lump sum death benefit (refund of contributions only since death in deferment {XYZ & Category A}) of **£118,732.32** payable to Legal Personal Representatives / Estate – [LTA used = **11.25%**]

**PLUS**

- (2) Spouse's pension of **£15,713.37 p.a.** (excess over WGMP = **£10,046.41 p.a.** and post-1988 WGMP = **£5,666.96 p.a.**)

### **Deaths Part 1 - Question 5**

#### **Calculation**

- (1) Lump sum death benefit (refund of Personal Retirement Account of **£78,996.38** plus life assurance of **£605,994.00** since death in service before NPD) of **£684,990.38** payable at Trustees' Discretion – [LTA used = **64.92%**]

### **Deaths Part 2 - Question 1**

#### **Calculation**

- (1) Lump sum death benefit (refund of Personal Retirement Account only since death in deferment) of **£264,650.54** payable to Legal Personal Representatives / Estate – [LTA used = **25.08%**]

### **Deaths Part 2 – Question 2**

#### **Calculation**

- (1) Lump sum death benefit (refund of contributions of **£69,108.36** plus life assurance of **£125,250.00** since death in service after NPD) of **£194,358.36** payable at Trustees' Discretion – [LTA used = **18.42%**]

**PLUS**

- (2) Spouse's pension of **£7,078.75 p.a.** (pre-2006 = **£2,945.95 p.a.** and post-2006 = **£4,132.80 p.a.**)

### **Deaths Part 2 – Question 3**

#### **Calculation**

- (1) Lump sum death benefit (refund of contributions of **£62,822.01** plus life assurance of **£196,600.00** since death in service before NPD {XYZ & Category A}) of **£259,422.01** payable at Trustees' Discretion – [LTA used = **24.58%**]

**PLUS**

- (2) Spouse's pension of **£18,333.43 p.a.** (excess over WGMP = **£17,811.35 p.a.** and post-1988 WGMP = **£522.08 p.a.**)

#### **Letter: Question 6 – (Relating to Question 3)**

- (1) Date of death (**27/02/2020**)
- (2) Total lump sum death benefit (**£259,422.01**), *stating the following details:*
- Life assurance (**£196,600.00**)
  - Refund of contributions (**£62,822.01**)
  - Payable at **Trustees' Discretion**
- (3) Spouse's pension (**£18,333.43 p.a.**), *stating the following details:*
- Excess over WGMP split (**£17,811.35 p.a.**)
  - Post-1988 WGMP split (**£522.08 p.a.**)
  - Commencement date (**01/03/2020**)
  - Rates of increase (excess over WGMP = **lower of 5.0% / RPI** and post-1988 WGMP = **lower of 3.0% / CPI**)
  - Frequency of payment (**monthly**)
  - Increase date (**1<sup>st</sup> April each year**)
- (4) Additional information:
- Must mention varied accrual rates
- (5) Lifetime allowance:
- Percentage used by lump sum death benefit (**24.58%**)
  - Counts against deceased member
- (6) Action required:
- Member's death certificate
  - Spouse's birth & marriage certificates
  - Bank details

### **Deaths Part 2 - Question 4**

#### **Calculation**

- (1) Lump sum death benefit (equal to balance of 5 years' member pension instalments – *capped to age 75* – since death in retirement {XYZ & Category B}) of **£26,535.20** payable at Trustees' Discretion – [LTA used = **2.51%**]

**PLUS**

- (2) Spouse's pension of **£17,597.80 p.a.**

## **Deaths Part 2 - Question 5**

### **Calculation**

- (1) Lump sum death benefit (refund of contributions of **£33,736.02** plus life assurance of **£59,343.75** since death in service before NPD) of **£93,079.77** payable at Trustees' Discretion – [LTA used = **8.82%**]

**PLUS**

- (2) Spouse's pension of **£4,028.64 p.a.** (pre-2006 = **£787.91 p.a.** and post-2006 = **£3,240.73 p.a.**) {including young spouse reduction}

## **Retirements Part 1 – Question 1**

### **Calculation**

Options

- (1) Full 'CARE' pension of **£16,554.85 p.a.** {vs *Underpin pension of £15,374.80 p.a.*} (pre-2006 = **£7,062.00 p.a.** and post-2006 = **£9,492.85 p.a.**) with a spouse's pension of **£6,621.94 p.a.** (pre-2006 = **£2,824.80 p.a.** and post-2006 = **£3,797.14 p.a.**) – [LTA used = **31.38%**]

**OR**

- (2) Pension commencement lump sum of **£74,798.26** – [LTA used = **7.08%**]

**PLUS**

Residual pension of **£11,219.74 p.a.** (pre-2006 = **£7,062.00 p.a.** and post-2006 = **£4,157.74 p.a.**) with a spouse's pension of **£6,621.94 p.a.** (pre-2006 = **£2,824.80 p.a.** and post-2006 = **£3,797.14 p.a.**) – [LTA used = **21.26%**]

## **Letter: Question 6 – (Relating to Question 1)**

- (1) Date of retirement:  
- **30/03/2020**
- (2) Options available:
- Full pension = **£16,554.85 p.a.**, stating the following details:
    - Pre-2006 = **£7,062.00 p.a.**
    - Post-2006 = **£9,492.85 p.a.**
  - OR**
  - Pension commencement lump sum [PCLS] = **£74,798.26**, PLUS
  - Residual pension = **£11,219.74 p.a.**, stating the following details:
    - Pre-2006 = **£7,062.00 p.a.**
    - Post-2006 = **£4,157.74 p.a.**

- (3) Details of pension:
- Commencement date = **01/04/2020**
  - Frequency of payment = **monthly**
  - Increase rates:
    - Pre-2006 = **lower of 5.0% / RPI**
    - Post-2006 = **lower of 2.5% / RPI**
  - Increase date = **anniversary of date of commencement**
- (4) Details of spouse's pension payable on death of member:
- Spouse's pension = **£6,621.94 p.a.**
- (5) Must mention potential young spouse reduction (as spouse greater than 10 years younger)
- (6) Must mention LSDB payable on death within 5 years of retirement
- (7) Lifetime allowance:
- Percentage used by full pension = **31.38%**
  - OR*
  - Percentage used by PCLS = **7.08%** and percentage used by residual pension = **21.26%**
- (8) Action required:
- Choice of option
  - Member's birth certificate
  - Bank details

### **Retirements Part 1 – Question 2**

#### **Calculation**

Value of Personal Retirement Account = **£235,912.66**

Options

- (1) Pension commencement lump sum of **£58,978.17** – [LTA used = **5.59%**]

**PLUS**

Annuity of **£11,565.73 p.a.** (non-increasing) with spouse's annuity of **£5,782.87 p.a.** – [LTA used = **16.77%**] – {Annuity Bureau Charge of **£88.47**}

**OR**

- (2) Pension commencement lump sum of **£58,978.17** – [LTA used = **5.59%**]

**PLUS**

Annuity of **£7,851.96 p.a.** (increasing at lower of 5.0% / RPI) with spouse's annuity of **£3,925.98 p.a.** – [LTA used = **16.77%**] – {Annuity Bureau Charge of **£88.47**}

**OR**



- (3) Single Uncrystallised Funds Pension Lump Sum of **£235,912.66** (tax-free element = **£58,978.17** and taxable element = **£176,934.50**, which is taxed at member's marginal rate and paid assuming an Emergency Code on a Month 1 basis) – [LTA used = **22.36%**]

**OR**

- (4) Open Market Option

### **Retirements Part 1 – Question 3**

#### **Calculation**

Options

- (1) Full pension of **£34,397.57 p.a.** (excess over GMP = **£29,322.37 p.a.**, pre-1988 GMP = **£158.60 p.a.** and post-1988 GMP = **£4,916.60 p.a.**) with a spouse's pension of **£17,198.79 p.a.** – [LTA used = **65.20%**]

**OR**

- (2) Pension commencement lump sum of **£152,131.97** – [LTA used = **14.42%**]

**PLUS**

Residual pension of **£22,819.79 p.a.** (excess over GMP = **£17,744.59 p.a.**, pre-1988 GMP = **£158.60 p.a.** and post-1988 GMP = **£4,916.60 p.a.**) with a spouse's pension of **£17,198.79 p.a.** – [LTA used = **43.26%**]

### **Retirements Part 1 – Question 4**

#### **Calculation**

Options

- (1) Full 'Underpin' pension of **£8,189.25 p.a.** {vs CARE pension of **£7,479.78 p.a.**} (pre-2006 = **£549.00 p.a.** and post-2006 = **£7,460.25 p.a.**) with a spouse's pension of **£3,275.70 p.a.** (pre-2006 = **£219.60 p.a.** and post-2006 = **£3,056.10 p.a.**) – [LTA used = **15.52%**]

**OR**

- (2) Pension commencement lump sum of **£36,811.61** – [LTA used = **3.48%**]

**PLUS**

Residual pension of **£5,521.74 p.a.** (pre-2006 = **£549.00 p.a.** and post-2006 = **£4,972.74 p.a.**) with a spouse's pension of **£3,275.70 p.a.** (pre-2006 = **£219.60 p.a.** and post-2006 = **£3,056.10 p.a.**) – [LTA used = **10.46%**]

### Retirements Part 1 – Question 5

#### Calculation

Options

- (1) Full pension of **£13,088.47 p.a.** with a spouse's pension of **£6,544.24 p.a.** – [LTA used = **24.81%**]

**OR**

- (2) Pension commencement lump sum of **£61,037.58** – [LTA used = **5.78%**]

**PLUS**

Residual pension of **£9,155.64 p.a.** with a spouse's pension of **£6,544.24 p.a.** – [LTA used = **17.35%**]

### Retirements Part 2 – Question 1

#### Calculation

Value of Personal Retirement Account = **£638,321.43** (including transferred-in benefit of **£158,996.08**)

#### Option 1 – No Cash

- (1) Annuity of **£40,257.94 p.a.** (increasing at lower of 2.5% / RPI) with spouse's annuity of **£20,128.97 p.a.** – [LTA used = **60.50%**] – {Annuity Bureau Charge of **£319.16**}

#### Option 2 – With Cash

- (2) Pension commencement lump sum of **£159,580.36** – [LTA used = **15.12%**]

**PLUS**

Annuity of **£43,304.40 p.a.** (non-increasing) with NO spouse's annuity – [LTA used = **45.37%**] – {Annuity Bureau Charge of **£239.37**}

**OR**

- (3) Uncrystallised Funds Pension Lump Sum of **£638,321.43** (tax-free element = **£159,580.36** and taxable element = **£478,741.07**, which is taxed at member's marginal rate and paid assuming an Emergency Code on a Month 1 basis) – [LTA used = **60.50%**]

**OR**

- (4) Open Market Option

## Retirements Part 2 – Question 2

### Calculation

Options

- (1) Full 'CARE' pension of **£33,870.90 p.a.** {vs *Underpin pension of £30,751.19 p.a.*} (pre-2006 = **£11,965.84 p.a.** and post-2006 = **£21,905.06 p.a.**) with a spouse's pension of **£13,548.36 p.a.** (pre-2006 = **£4,786.34 p.a.** and post-2006 = **£8,762.02 p.a.**) – [LTA used = **64.21%**]

**OR**

- (2) Pension commencement lump sum of **£158,621.83** – [LTA used = **15.03%**]

**PLUS**

Residual pension of **£23,793.27 p.a.** (pre-2006 = **£11,965.84 p.a.** and post-2006 = **£11,827.43 p.a.**) with a spouse's pension of **£13,548.36 p.a.** (pre-2006 = **£4,786.34 p.a.** and post-2006 = **£8,762.02 p.a.**) – [LTA used = **45.10%**]

## Retirements Part 2 - Question 3

### Calculation

Option 1A – Pension Only (AVCs single life)

- (1A) Full pension of **£12,714.68 p.a.** [plus AVC pension of **£1,798.36 p.a.** = total pension of **£14,513.04 p.a.**] with a spouse's pension of **£6,357.34 p.a.** – [LTA used = **27.51%**]

**OR**

Option 1B – Pension Only (AVCs joint life)

- (1B) Full pension of **£12,714.68 p.a.** [plus AVC pension of **£1,486.92 p.a.** = total pension of **£14,201.60 p.a.**] with a spouse's pension of **£6,357.34 p.a.** [plus AVC pension of **£743.46 p.a.** = total pension of **£7,100.80 p.a.**] – [LTA used = **26.92%**]

**OR**

Option 2 – Pension and Cash

- (2) Pension commencement lump sum of **£65,000.00** (including AVC cash of **£44,292.08**) – [LTA used = **6.16%**]

**PLUS**

Residual pension of **£11,214.11 p.a.** with a spouse's pension of **£6,357.34 p.a.** – [LTA used = **21.25%**]

## Retirements Part 2 – Question 4

### Calculation

Options

- (1) Full pension of **£31,488.70 p.a.** (excess over GMP = **£30,691.02 p.a.** and post-1988 GMP = **£797.68 p.a.**) with a spouse's pension of **£15,744.35 p.a.** – [LTA used = **59.69%**]

**OR**

- (2) Pension commencement lump sum of **£147,687.88** – [LTA used = **13.99%**]

**PLUS**

Residual pension of **£22,153.18 p.a.** (excess over GMP = **£21,355.50 p.a.** and post-1988 GMP = **£797.68 p.a.**) with a spouse's pension of **£15,744.35 p.a.** – [LTA used = **41.99%**]

### Letter: Question 6 – (Relating to Question 4)

- (1) Date of retirement:  
- **26/03/2020**
- (2) Options available:  
- Full pension = **£31,488.70 p.a.**, stating the following details:  
- Excess over GMP = **£30,691.02 p.a.**  
- Post-1988 GMP = **£797.68 p.a.**  
**OR**  
- Pension commencement lump sum [PCLS] = **£147,687.88**, PLUS  
- Residual pension = **£22,153.18 p.a.**, stating the following details:  
- Excess over GMP = **£21,355.50 p.a.**  
- Post-1988 GMP = **£797.68 p.a.**
- (3) Details of pension:  
- Commencement date = **01/04/2020**  
- Frequency of payment = **monthly**  
- Increase rates up to NPD (since early retirement before NPD):  
- Total pension = **lower of 5.0% / RPI**  
- Increase rates from NPD:  
- Excess over GMP = **lower of 5.0% / RPI**  
- Post-1988 GMP = **lower of 3.0% / CPI**  
- Increase date = **1st April each year**
- (4) Details of spouse's pension payable on death of member:  
- Spouse's pension = **£15,744.35 p.a.**
- (5) Must mention LSDB payable on death within 5 years of retirement
- (6) Must mention varied accrual rates

- (7) Lifetime allowance:
- Percentage used by full pension = **59.69%**
- OR*
- Percentage used by PCLS = **13.99%** and percentage used by residual pension = **41.99%**
- (8) Action required:
- Choice of option
  - Member's birth certificate
  - Bank details

### **Retirements Part 2 - Question 5**

#### **Calculation**

Options

- (1) Full 'CARE' pension of **£19,097.33 p.a.** {vs 'Underpin' pension of **£11,675.34 p.a.**} (pre-2006 = **£2,937.37 p.a.** and post-2006 = **£16,159.96 p.a.**) with a spouse's pension of **£7,638.93 p.a.** (pre-2006 = **£1,174.95 p.a.** and post-2006 = **£6,463.98 p.a.**) – [LTA used = **36.20%**]

***OR***

- (2) Pension commencement lump sum of **£75,000.00** – [LTA used = **7.10%**]

**PLUS**

Residual pension of **£13,662.55 p.a.** (pre-2006 = **£2,937.37 p.a.** and post-2006 = **£10,725.18 p.a.**) with a spouse's pension of **£7,638.93 p.a.** (pre-2006 = **£1,174.95 p.a.** and post-2006 = **£6,463.98 p.a.**) – [LTA used = **25.90%**]

### **Transfers – Question 1**

#### **Calculation**

Total Transfer Value of **£111,394.46**, which includes the post-1997 Transfer Value of **£83,925.34** (member additionally has an AVC Fund Value of **£11,924.35**) – *mention requirement for independent financial advice from authorised adviser regulated under Financial Services & Markets Act 2000 if transferring to an arrangement where benefits can be accessed flexibly (as TV exceeds £30,000)*

#### **Letter: Question 7 – (Relating to Question 1)**

- (1) Total Transfer Value *excluding* AVCs = **£111,394.46**
- (2) Total Transfer Value *including* AVCs = **£123,318.81** {of which AVCs = **£11,924.35**}
- (3) Post-1997 element of Transfer Value = **£83,925.34**
- (4) Must mention option to transfer to suitable alternative pension arrangement

- (5) Must mention (*if member transferring to an arrangement where benefits can be accessed flexibly*):
- requirement to take independent financial advice from an authorised adviser regulated under Financial Services and Markets Act 2000 should the transfer proceed
  - requirement to apply in writing to Trustees for transfer within 3 months of guarantee date (date on which transfer was calculated)
  - requirement to confirm to Trustees within 3 months of receiving transfer quotation that independent financial advice has been received
  - Trustees will verify within 6 months of guarantee date that independent financial advice has been received and carry out transfer
  - Trustees will (unless they hear to the contrary) assume transfer will be to an arrangement where benefits can be accessed flexibly
- (6) Must mention that financial advice cannot be given
- (7) Must make reference to “Pension Scams”
- (8) Must mention that – if transfer out proceeds – no benefits will remain in RST Pension Scheme

### **Transfers – Question 2**

#### **Calculation**

Total Transfer Value of **£53,616.56** (including **£9,186.87** in respect of AVCs), which is split between Funds and Contribution Types as follows:

#### **Global Equity Fund – (Lifestyle)**

Member Contributions	-	£13,814.14
Employer Contributions	-	£22,102.62
AVCs	-	£7,426.62
Total	-	<b>£43,343.38</b>

#### **Index Linked Bond Fund – (Lifestyle)**

Member Contributions	-	£2,604.54
Employer Contributions	-	£4,167.27
AVCs	-	£1,400.23
Total	-	<b>£8,172.04</b>

#### **Cash Fund – (Lifestyle)**

Member Contributions	-	£669.66
Employer Contributions	-	£1,071.46
AVCs	-	£360.02
Total	-	<b>£2,101.14</b>

### **Transfers – Question 3**

#### **Calculation**

Total Transfer Value of **£102,246.62**, which includes the post-1997 Transfer Value of **£75,327.45** (member additionally has an AVC Fund Value of **£14,666.99**) – *mention requirement for independent financial advice from authorised adviser regulated under Financial Services & Markets Act 2000 if transferring to an arrangement where benefits can be accessed flexibly (as TV exceeds £30,000).*

### **Transfers – Question 4**

#### **Calculation**

- (1) At NPD, a pension of **£14,274.76 p.a.** (including post-1997 pension of **£13,603.98 p.a.**) would be payable
- (2) On death before retirement a refund of member contributions would be payable
- (3) On death after retirement a lump sum death benefit would be payable (provided death occurs within 5 years of retirement) and a spouse's pension would also be payable
- (4) All benefits will be payable in accordance with the provisions of the RST Pension Scheme

### **Transfers – Question 5**

#### **Calculation**

The Transfer-in of **£20,494.33** would buy units in the member's Personal Retirement Account split between Funds and Contribution Types as follows:

#### **Global Equity Fund – (Lifestyle)**

Member Contributions	-	769.0532 units
Employer Contributions	-	161.1317 units
AVCs	-	627.2663 units
Total	-	<b>1,557.4512 units</b>

#### **Index Linked Bond Fund – (Lifestyle)**

Member Contributions	-	1,748.1200 units
Employer Contributions	-	366.2654 units
AVCs	-	1,425.8271 units
Total	-	<b>3,540.2125 units</b>

#### **Cash Fund – (Lifestyle)**

Member Contributions	-	755.8507 units
Employer Contributions	-	158.3655 units
AVCs	-	616.4980 units
Total	-	<b>1,530.7142 units</b>

#### **Balanced Fund – (non-Lifestyle)**

Member Contributions	-	233.1237 units
Employer Contributions	-	48.8436 units
Total	-	<b>281.9673 units</b>

#### **Corporate Bond Fund – (non-Lifestyle)**

Member Contributions	-	1,332.4424 units
Employer Contributions	-	279.1705 units
AVCs	-	1,630.1777 units
Total	-	<b>3,241.7906 units</b>

## **Transfers – Question 6**

### **Calculation**

- (1) At NPD, a pension of **£4,167.86 p.a.** (including excess pension of **£3,531.38 p.a.** and post-1988 GMP of **£636.48 p.a.** {and including post-1997 pension of **£3,236.55 p.a.**}) would be payable
- (2) On death before retirement before NPD a refund of contributions would be payable and a spouse's pension would also be payable
- (3) On death before retirement on or after NPD (*from active status only, as late retirement not permitted from preserved status*) a lump sum death benefit would be payable (calculated on the assumption that the member retired on the date of death) and a spouse's pension would also be payable
- (4) On death after retirement a lump sum death benefit would be payable (provided death occurs within 5 years of retirement) and a spouse's pension would also be payable
- (5) All benefits will be payable in accordance with the provisions of the XYZ Pension and Life Assurance Scheme

### **Letter: Question 8 – (Relating to Question 6)**

- (1) Transfer Value (**£29,885.11**)
  - (2) Total pension benefit provided at NPD (**£4,167.86 p.a.**)
    - Excess pension at NPD (**£3,531.38 p.a.**)
    - Post-88 GMP at NPD (**£636.48 p.a.**)
  - (3) Post-1997 element of Transfer Value (**£22,712.68**)
  - (4) Post-1997 element of pension benefit provided at NPD (**£3,236.55 p.a.**)
  - (5) Must mention following benefits on death:
    - Refund of contributions and spouse's pension on death before retirement before NPD
    - Lump sum death benefit and spouse's pension on death before retirement on or after NPD (*from active status only, as late retirement not permitted from preserved status*)
    - Lump sum death benefit (provided death occurs within five years of retirement) and spouse's pension on death after retirement
  - (6) Must mention that financial advice cannot be given
  - (7) Must mention requirement for member's written authority to proceed
  - (8) Must mention guarantee period
  - (9) Must mention that – if transfer in proceeds – no benefits will remain in previous scheme
  - (10) Must mention that – if transfer in proceeds – benefits provided will be subject to rules of XYZ Pension and Life Assurance Scheme
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